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FEB 13 1984

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Deferred Compensation Program Under Section 401(k)
Internal Revenue Service (IRS) Code

1. Recently there have been some questions raised as to whether the Agency could offer a tax deferral program under Section 401(k) of the IRS Code. Last fall, we pursued this matter with the Office of General Counsel (OGC) and learned that the Agency could not offer a 401(k) program because we did not operate for a profit and second, the U.S. Government entities are not defined as employers under Section 401(k). A copy of the OGC opinion on this issue is attached for your information.

2. In view of the recent renewed interest in tax deferral programs, we again asked OGC to determine if there has been any changes in the IRS rule on 401(k) plans as it relates to U.S. Government agencies. At this time, the IRS has not modified earlier rulings. We do understand that there is some activity related to the supplemental retirement packages being discussed in the Congress which would provide some similar advantages as the 401(k) program. We continue to stay close to the activity concerning benefits which possibly could create tax deferral advantages to the Agency. Until such time as we obtain changes in the IRS rulings or modifications to the U.S. Government retirement system, unfortunately, we cannot offer any tax deferral programs for Agency employees. I will keep you advised on any changes that may occur related to this issue.

Robert W. Magee

Robert W. Magee

Attachment: a/s

cc: OGC

OP/SP/ [] (9 Feb 84)

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Tuesday, January 31, 1984

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MIKE CAUSEY

THE FEDERAL DIARY

Wage Shelter Plan Eyed for Federal

Officials of the Treasury Department and the Senior Executives Association will sit down in a few weeks to talk about setting up a program that would permit U.S. workers to shelter up to 15 percent of their salary from taxes.

Many private firms already offer similar "thrift plans" to workers. Under them, employers withhold an amount of money (designated by the employee) and invest it in one of several options available to the employee.

In some cases, employers match some or all of the money invested by workers. A portion of the money invested and any interest earned on it is deferred from taxes until the employee retires. Withdrawals are also allowed for some pressing reasons.

Called the 401K program, it is similar to individual retirement accounts, but unlike IRAs, contributions are not limited to \$2,000 per year.

Leaders of the association, which represents top career U.S. executives, have broached the voluntary savings plan to the Office of Personnel Management. If OPM likes the idea, the next step on the road to approval is the Treasury Department.

Executive association officials say the General Accounting Office has said that no new legislation would be required if the government decides to offer the benefit to workers. If adopted, Uncle Sam would not be asked to match employee contributions, so it would be a no-cost item to the government as an employer.

There are several hang-ups, but one already has been overcome. That was when the powers-that-be wondered if the government met the legal definition of "an employer." It has been decided that Uncle Sam, who employs the nation's largest work force (2.8 million) is indeed an employer.

Regional Subcapitals: Rep. Norm Dicks (D-Wash.) has more than a dozen co-sponsors for his bill designed to preserve the 10 existing regional subcapitals—New York, Phila., Port

been studying duplicating operations in those fields together have more than a million U.S. workers—without consolidating some services.

Officials say no decision has been made concerning which cities stand to lose because of the changes. But game plans have been suggested for Kansas City, St. Louis, and Boston.

Since there is no legislation yet, the changes must be made at will, and would require congressional approval before any change could be made.

Jobs: Labor Department of the Solicitor needs an auditor, GM 15. Must travel. Call 523-6863.

Justice Department wants a secretary/steno clerk-typists (temporary) and a clerk/steno, GS 4. Call tus Burk at 557-9100.

Library of Congress wants a certified nurse practitioner. Call Janet Johnson on 272-0178.

Army's Corps of Engineers wants a secretary/steno, GS 6. Boldan at 272-0178.

Administrative Office of the Courts has an opening for a secretary/steno, GS 6 or 7. Call Stanley on 633-6116.

Naval Regional Contracting Office is looking for a GS 11 specialist or contract negotiator to offer flexible work hours and parking. Call Bev Seacord.

John P. Murray has been awarded a \$250 award from the Federal Emergency Management Agency for his time back Murray shelves holding heavy FEMA photo-copying bolts to the wall. It could have been the emergency.

Murray is the suggestion it, and

why can't we do this?!

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